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FISCAL IMPACT STATEMENT

LS 6795

BILL NUMBER: HB 1627

NOTE PREPARED: Jan 26, 2007

BILL AMENDED:

SUBJECT: Coverage for Employees with Chronic Conditions.

FIRST AUTHOR: Rep. Tyler

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X **GENERAL**
DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill provides for automatic eligibility for coverage under a comprehensive health insurance association (ICHIA) policy for certain individuals with certain chronic conditions. It specifies premium payment requirements.

Effective Date: July 1, 2007.

Explanation of State Expenditures: *Impact on ICHIA and the State:* This bill provides a list of health conditions that would automatically qualify an individual for ICHIA enrollment. HEA 1749–2003 eliminated a list of health conditions that automatically qualified an individual for participation in ICHIA. It is not anticipated that reinstating the list would result in a significant increase in ICHIA enrollees.

However, the bill also provides that employers who offer group insurance may refer qualifying employees who work at least 20 hours a week to ICHIA if the employer pays 100% of the premium. This provision could result in a significant increase in the number of ICHIA enrollees. The number of individuals who will qualify as a result of the bill is unknown. However, the average net loss for an ICHIA enrollee is \$553 per person per month. If an additional 1,000 individuals enrolled in ICHIA, as a result of this bill, net losses for the month would equal \$553,000 with net losses for the year at \$6.6 M. The state pays for 75% of the net loss on all ICHIA enrollees. If an additional 1,000 individuals enrolled, costs to the state would equal about \$5 M. Costs for ICHIA are paid from the state General Fund.

State Employees Health Plan: The state as an employer could refer an employee who qualifies to ICHIA for coverage if the employer pays 100% of the employee's premium for the ICHIA policy. The impact will depend on the number of individuals and the nature of their conditions that the state refers to ICHIA. If the

state referred certain high cost cases to ICHIA, costs to insure the remaining population could decrease. If referring individuals to ICHIA results in decreased health insurance costs for the state, it is unknown if the state would absorb any savings under the state employee health plan or pass the savings on to employees. In addition to possible reduced costs for referring an employee, under ICHIA, the state would pick up 75% of the net losses of the ICHIA enrollee after payment of the premium.

Premiums for Employees Whose Employers Do Not Provide Insurance: The premiums for these employees is established in the bill as follows:

- (1) For an employee with a family income of at least 350% of the federal income poverty level (FPL), the employee must pay 100% of the premium for the ICHIA policy.
- (2) For an employee with a family income of at least 200% but less than 350% of the FPL, the employee must pay 25% of the premium.
- (3) For an employee with a family income of at least 100% but less than 200% of the FPL, the employee must pay 10% of the premium.
- (4) For an employee with a family income of less than 100% of the FPL, the employee must pay 2% of the premium.

Federal poverty guidelines for the relevant income thresholds are listed below.

2007 Federal Poverty Level Guidelines (Family Income per Year) *			
Family Size	100% FPL	200% FPL	350% FPL
1	\$10,210	\$20,420	\$35,735
2	13,690	27,380	47,915
3	17,170	34,340	60,095
4	20,650	41,300	72,275
5	24,130	48,260	84,455
6	27,610	55,220	96,635
7	31,090	62,180	108,815
8	34,570	69,140	120,995
Each Add'l	\$3,480	\$6,960	\$12,180

This provision will likely result in increased net losses for ICHIA and increased costs for the state because the state would cover 75% of any net loss after receiving the premiums from the employee and employer. The impact of this provision is unknown.

ICHIA Background: All carriers, health maintenance organizations (HMOs), limited service HMOs, and self-insurers providing health insurance or health care services in Indiana are ICHIA members. ICHIA determines net premiums, administrative expenses, and incurred losses for the year. Beginning January 1, 2005, 25% of any net loss is assessed members in proportion to their respective shares of total health insurance premiums, and 75% of the net loss is to be paid by the state. Net gains, if any, must be held at

interest to offset future losses or allocated to reduce future premiums.

Currently, to be eligible for an ICHIA policy, an Indiana resident must show evidence of being denied insurance coverage under any insurance plan that meets or exceeds the minimum requirements for accident and sickness insurance policies issued in Indiana without material underwriting restriction; an insurer has refused to issue insurance except at a rate exceeding the ICHIA plan rate; or the individual is eligible under the federal Health Insurance Portability and Accountability Act (HIPAA). The individual may not be eligible for Medicaid or Medicare. ICHIA provides health coverage to approximately 7,500 individuals. Members who paid assessments prior to January 1, 2005, may take a credit against premium taxes or adjusted gross income taxes for each calendar year in which the assessments were paid and for succeeding years until the aggregate of those assessments have been offset by either credits against those taxes or refunds from the Association. Members may include in premiums charged for insurance policies amounts sufficient to recoup a sum equal to the amounts paid to the Association.

Explanation of State Revenues:

Explanation of Local Expenditures: The impact will depend on the number of individuals and the nature of their conditions that local employers refer to ICHIA. If local units referred certain high cost cases to ICHIA, costs to insure the remaining population could decrease. If referring individuals to ICHIA results in decreased health insurance costs, it is unknown if local units would absorb any savings or pass the savings on to employees, as cost sharing of health benefit premiums varies widely by locality.

Explanation of Local Revenues:

State Agencies Affected: ICHIA.

Local Agencies Affected: Units that provide health insurance for employees with chronic conditions.

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